



**U.S. Department of Justice**

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**FOR IMMEDIATE RELEASE:**

**INDIANAPOLIS MAN SENTENCED IN  
MORTGAGE FRAUD SCHEME**

**PRESS RELEASE**

Susan W. Brooks, United States Attorney for the Southern District of Indiana, announced that DUANE GUNN, 42, Indianapolis, Indiana, was sentenced to 30 months imprisonment today by U.S. District Judge Sarah E. Barker following his guilty plea to one count of conspiracy to commit mail fraud and one count of money laundering. This case was the result of an investigation by the U.S. Postal Inspection Service, the Internal Revenue Service and the Federal Bureau of Investigation, working as part of the U.S. Attorney's Mortgage Fraud Task Force.

According to facts presented in court today, GUNN operated as a mortgage broker for Upscale Mortgage between December 2000 and December 2001 and as a mortgage broker for A.J. Mortgage between December 2001 and November 2002. During those time periods, GUNN

and other co-conspirators fraudulently obtained over \$730,000.00 through 21 separate mortgage loan transactions.

The scheme in which GUNN was involved utilized what are commonly referred to as “flip” transactions. GUNN and other individuals provided the money for and purchased, either in their own name or the names of others, houses in low-income areas primarily on the near northeast side of Indianapolis. A very short time after buying the properties at a low fair market price, GUNN and others entered into a second transaction to sell the properties. In the second sale, the sales price far exceeded the value of the property. GUNN and other co-conspirators recruited individuals to buy the properties. They then originated loans to obtain financing for these second purchases. They prepared and submitted to mortgage lenders false loan applications supported by fraudulent bank account information. They also submitted falsely inflated appraisals to induce the lending institutions to make the loans.

In addition to recruiting individuals to buy the properties at falsely inflated prices, GUNN and his co-conspirators also enlisted the aid of title company closing agents to assist them in preparing and processing false settlement statements, and in disbursing the falsely obtained loan proceeds. They also submitted fictitious invoices to support payments to fictitious entities they created. They also “fronted” down payments to the buyers by obtaining cashier’s checks showing the buyers as remitters, in order to make it appear that the buyers were making down payments on the properties when they were not.

After obtaining the fraudulent loan proceeds, GUNN and his associates shared the funds and engaged in various transactions to hide or “launder” the money. The majority of the loans fraudulently obtained were not repaid as agreed, are currently in default, and are or have been the subject of foreclosure proceedings.

According to Assistant United States Attorney Susan Heckard Dowd, who prosecuted the case for the government, Judge Barker also imposed two (2) years supervised release following GUNN's imprisonment. GUNN was ordered to make restitution in the amount of \$335,514.05.

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